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COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET N°7
TO THE GENERAL BUDGET 2009**

**STATEMENT OF EXPENDITURE BY SECTION
Section III - Commission**

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹, as last amended by Council Regulation (EC, Euratom) No 1525/2007², and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the Preliminary Draft Amending Budget No 7 to the 2009 budget.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 343, 27.12.2007, p. 9.

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CHANGES TO THE STATEMENT OF EXPENDITURE BY SECTION

The changes to the statement of expenditure by section are forwarded separately via the SEI-BUD system. An English version of the changes to the statement of expenditure by section is attached for information as a budgetary annex.

1. INTRODUCTION

Preliminary Draft Amending Budget (PDAB) No 7 for the year 2009 covers the Mobilisation of the EU Solidarity Fund for an amount of EUR 109 377 165 in commitment and payment appropriations relating to the effects of a storm affecting France.

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. France: Storm "Klaus"

In January 2009 a major storm ("Klaus") hit south-western France causing severe damage. Within the 10 week deadline set by Article 4 of Council Regulation (EC) No 2012/2002, the French authorities applied for financial assistance from the EU Solidarity Fund relating to the storm.

The Commission services have carried out a thorough examination of the application in accordance with Council Regulation (EC) No 2012/2002³ and in particular with Articles 2, 3 and 4 thereof. The most important elements of the assessments can be summarised as follows:

- (1) The application was presented to the Commission on 2 April 2009 within the deadline of 10 weeks after the first damage was recorded on 24 January 2009.
- (2) The disaster is of natural origin. Under the Solidarity Fund, only total direct damage can be considered as basis for the calculation of the amount of financial assistance. The Commission estimated that total direct damage caused by the storm amounts to EUR 3,805 billion. Other damages indicated in the application, such as losses in income and production due to the interruption of economic activities and hypothetical damage such as the estimated value attached to the sequestered carbon losses (together amounting to EUR 1,220 billion), have not been taken into account as a basis for calculating the assistance, as they are not considered direct damages. As the estimated total direct damages of EUR 3,805 billion exceed the threshold of EUR 3,398 billion (i.e. EUR 3 billion in 2002 prices) applicable to France in 2009 for mobilising the Solidarity Fund, the disaster qualifies as a "major natural disaster" and thus falls within the main field of application of Regulation (EC) No 2012/2002. The financial assistance may only be used for essential emergency operations as defined in Article 3 of the Regulation.
- (3) Following the storm, which caused damage in 31 "départements" throughout France, a state of emergency ("l'état de catastrophe naturelle") was declared in 9 "départements": Aude, Haute-Garonne, Gers, Gironde, Landes, Lot-et-Garonne, Pyrénées-Atlantiques, Hautes-Pyrénées, Pyrénées-Orientales. The highest damage was caused in south-western France, with 55 % of total estimated damage concentrated in the "département des Landes" and 86 % in the Aquitaine region. According to the French authorities, the storm caused severe damage, in particular to the forestry sector, which accounts for more than 60 % of total estimated damage, and to businesses and private households (more than 25 % of total estimated damage). The storm also caused significant damage

³ Council Regulation (EC) N° 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, OJ L 311 of 14.11.2002, p.3.

to infrastructure (transport, electricity, water and telecommunications), as well as to the agricultural sector, and it required extensive cleaning-up operations. Twelve people lost their lives as a direct consequence of the storm and more than 400 were injured. Lasting negative economic repercussions are expected in the paper and wood industry, which is a key economic sector in the affected regions. The application contains a break-down of total estimated damage.

- (4) The cost of essential emergency operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 has been estimated by the French authorities at EUR 462,91 million and has been broken down by type of operation. The largest share of operations concerns cleaning-up operations in the disaster stricken area and the immediate restoration to working order of infrastructures. Based on the information received from the French authorities, it is evident that the real cost of eligible operations exceeds the amount of a possible grant from the Solidarity Fund by far. The types of operation to be financed from the Fund will be defined in the Implementation Agreement.
- (5) The French authorities stated that the damages will not be financed by any other Community sources.
- (6) The French authorities confirmed that the eligible operations referred to under point (4) above are not covered by insurance.

For the reasons set out above, therefore, it is proposed that the application made by France relating to the storm in January 2009 be accepted as a “major disaster” and that the Solidarity Fund should be used.

2.2. Financing

The total annual budget available for the Solidarity Fund is EUR 1 000 million. In 2009, EUR 11,8 million have already been earmarked for an earlier application leaving EUR 988,2 million available.

As solidarity was the central justification for the creation of the Fund, the Commission takes the view that aid from the Fund should be progressive. That means that, according to previous practice, the portion of the damage exceeding the threshold (0,6 % of the GNI or EUR 3 billion in 2002 prices, whichever is the lower amount) should give rise to higher aid intensity than damage up to the threshold. The rate applied in the past for defining the allocations for major disasters is 2,5 % of total direct damage under the threshold for mobilising the Fund and 6 % above. For extraordinary regional disasters the rate is 2,5 % of total direct damage. The methodology for calculating Solidarity Fund aid was set out in the 2002-2003 Annual Report on the Solidarity Fund and accepted by the Council and the European Parliament.

It is proposed to apply the same percentages in this case and to grant the following aid amounts:

(EUR)

	Direct damage	Threshold	Amount based on 2,5 %	Amount based on 6 %	Total amount of aid proposed
Storm in France (Klaus)	3 805 470 000	3 398 601 000	84 965 025	24 412 140	109 377 165

This amount of compensation will leave at least 25 % of the European Union Solidarity Fund available for allocation during the last quarter of the year, as required by Article 4(2) of Regulation (EC) 2012/2002.

SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2009 Financial framework		Budget 2009 (including AB 1-5 and PDAB 6)		PDAB 7/2009		Budget 2009 (including AB 1-5 and PDAB 6-7)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	13 272 000 000		13 768 997 000	11 100 585 513			13 768 997 000	11 100 585 513
1b. Cohesion for growth and employment	48 428 000 000		48 426 884 669	34 963 348 789			48 426 884 669	34 963 348 789
Total Margin⁴	61 700 000 000		62 195 881 669 <i>4 118 331</i>	46 063 934 302			62 195 881 669 <i>4 118 331</i>	46 063 934 302
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	46 679 000 000		41 131 356 325	41 083 823 325			41 131 356 325	41 083 823 325
Total Margin	57 639 000 000		56 721 437 011 <i>917 562 989</i>	52 566 129 680			56 721 437 011 <i>917 562 989</i>	52 566 129 680
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	872 000 000		863 925 000	617 440 000			863 925 000	617 440 000
3b. Citizenship	651 000 000		662 748 377	690 745 377	109 377 165	109 377 165	772 125 542	800 122 542
Total Margin⁵	1 523 000 000		1 526 673 377 <i>8 112 000</i>	1 308 185 377	109 377 165	109 377 165	1 636 050 542 <i>8 112 000</i>	1 417 562 542
4. EU AS A GLOBAL PLAYER⁶	7 440 000 000		8 103 930 360 <i>-419 930 360</i>	8 324 169 158			8 103 930 360 <i>-419 930 360</i>	8 324 169 158
5. ADMINISTRATION⁷	7 699 000 000		7 700 730 900 <i>76 269 100</i>	7 700 730 900			7 700 730 900 <i>76 269 100</i>	7 700 730 900
6. COMPENSATION	210 000 000		209 112 912 <i>887 088</i>	209 112 912			209 112 912 <i>887 088</i>	209 112 912
TOTAL Margin	136 211 000 000	121 901 000 000	136 457 766 229 <i>587 019 148</i>	116 172 262 329 <i>8 019 523 048</i>	109 377 165	109 377 165	136 567 143 394 <i>587 019 148</i>	116 281 639 494 <i>8 019 523 048</i>

⁴ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a.

⁵ The European Union Solidarity Fund (EUSF) amount is entered over and above the relevant headings as foreseen by the IIA of 17 May 2006 (OJ C 139 of 14.6.2006)

⁶ The 2009 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve, or the mobilisation of the Flexibility Instrument.

⁷ For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 78 million for the staff contributions to the pension scheme.